

## Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03  
INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 SP-02  
LAB-04 SIL-01 OMB-01 AGRE-00 /057 W  
-----120544 070015Z /63

P 062326Z SEP 77

FM AMEMBASSY MEXICO  
TO SECSTATE WASHDC PRIORITY 4790  
INFO TREASURY WASHDC  
ZEN ALL USCONS MEXICO POUCH

C O N F I D E N T I A L SECTION 01 OF 03 MEXICO 14900

EO 11652: GDS  
TAGS: PGOV, MX, US  
SUBJECT: TESTIMONY ON UNDOCUMENTED ALIENS

REF: STATE 207577

1. DEPARTMENT AND OTHER AGENCIES CONCERNED UNDOUBTEDLY  
SHARE OUR VIEW THAT QUESTIONS POSED REFTEL ARE AT HEART  
OF LASTING SOLUTIONS TO ILLEGAL ALIENS PROBLEM. UNFORTU-  
NATELY, A GREAT DEAL OF THE INFORMATION SOUGHT IS SIMPLY  
NONEXISTENT; AND MUCH OF WHAT MAY EXIST COULD NOT BE  
OBTAINED IN THE FEW DAYS AVAILABLE TO US. WE HOPE THAT  
THE HEARINGS IN QUESTION MARK THE BEGINNING OF A DETAILED  
INQUIRY INTO THESE ISSUES AND THAT THE DEPARTMENT'S  
AND OTHER AGENCY WITNESSES FIND A WAY TO KEEP THE DIALOG  
OPEN WITH CONGRESS. WE ARE PROVIDING ANSWERS TO THE  
QUESTIONS IN THE HOPE THAT EVEN AN EDUCATED GUESS IS MORE  
HELPFUL THAN NOTHING. WE SUGGEST, HOWEVER, THAT IN ITS  
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TESTIMONY THE DEPARTMENT MAKE MOST CLEAR THE ABSENCE OF  
HARD FACTUAL DATA. WE WOULD LIKE TO OFFER THE GENERAL  
COMMENT THAT MEXICO'S POPULATION PROBLEM, BOTH IN TERMS  
OF THE RATE OF POPULATION GROWTH AND JOB CREATION, WILL  
HAVE TO BE RESOLVED LARGELY BY DOMESTIC MEASURES.  
EXTERNAL ASSISTANCE WILL PLAY ONLY A MARGINAL ROLE. GET-  
TING THE ECONOMY MOVING AGAIN WILL BE KEY TO JOB CREATION

IN THE SHORT TERM. WE BELIEVE THE PRESIDENT IS HAVING REASONABLE SUCCESS IN RESTORING CONFIDENCE AMONG PRIVATE INVESTORS IN BOTH THE INDUSTRIAL AND AGRICULTURAL SECTORS. ANSWERS ARE KEYED TO QUESTIONS REFTEL.

(A) SPENDING IN RURAL DEVELOPMENT: FIGURES ON RURAL DEVELOPMENT ARE HARD TO BREAK OUT OF THAT FOR TOTAL PUBLIC SECTOR SPENDING IN THE AGRICULTURAL SECTOR (103.5 BILLION PESOS) WHICH INCLUDES MAJOR ITEMS SUCH AS FUNDS FOR CONASUPO (25.3 BILLION), THE GOVERNMENT AGRICULTURAL PURCHASING AND DISTRIBUTING AGENCY. THIS IS AN INCREASE OF 50 PERCENT OVER THE PREVIOUS YEAR. AS WAS EMPHASIZED IN THE PRESIDENT'S SEPTEMBER 1 STATE OF THE UNION MESSAGE, THE HIGHEST PRIORITY IS BEING GIVEN TO THIS DEPRESSED SECTOR. (OUTPUT IN 1976 WAS ALMOST IDENTICAL TO THAT OF 1972 AND BELOW THAT OF 1974.) IN HIS SPEECH THE PRESIDENT SPECIFICALLY RECOGNIZED THAT IMPROVEMENT IN AGRICULTURAL PRODUCTION IS ONE PROBLEM, AND RURAL JOB CREATION ALMOST A SEPARATE PROBLEM. HE SAID THAT THE ANSWER TO AGRICULTURAL EMPLOYMENT AND MIGRATION TO MEXICAN CITIES LIES NOT IN AGRICULTURE BUT IN RESTRUCTURING THE WHOLE ECONOMY. MUCH OF WHAT THE GOVERNMENT IS NOW DOING IS DEVOTED TO IMPROVING PRODUCTION THROUGH IMPROVED INFRASTRUCTURE IN THE COUNTRYSIDE. THIS WILL, OF COURSE, CREATE SOME NEW EMPLOYMENT.

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(B) COST OF RURAL JOB CREATION: THERE ARE NO ESTIMATES AVAILABLE ON THE COST OF RURAL JOB CREATION. OBVIOUSLY IF THE COST OF DAMS, HIGHWAYS ARE FIGURED IN, THE COST IS RELATIVELY HIGH FOR SOMEONE WORKING ON IRRIGATED FARM LAND. ON THE OTHER HAND, TO PUT SOMEONE TO WORK ON A ROAD MIGHT INVOLVE PRINCIPALLY HIS WAGES AND THE COST OF A SHOVEL.

(C) MOST EFFECTIVE TYPE OF RURAL DEVELOPMENT PROJECTS: WE ARE OF THE OPINION THAT INDUSTRIAL DEVELOPMENT PROJECTS IN RURAL AREAS, AS DISTINCT FROM INVESTMENTS IN AGRICULTURAL PRODUCTION, MIGHT HAVE SOME SUCCESS IN HOLDING POTENTIAL MIGRANTS IN PLACE. AGRICULTURAL PROCESSING OR PACKING PLANTS WOULD BE ESPECIALLY EFFECTIVE. WE SUSPECT THAT SHOE MANUFACTURING PLANTS IN ZACATECAS, FROZEN STRAWBERRY PACKING PLANTS, AND THE FOOD PACKING PLANTS OF SINALOA ARE EFFECTIVE. THE TEXTILE AND ELECTRONIC "BORDER INDUSTRY" PLANTS EMPLOY 70,000 PERSONS BUT, LIKE SOME FOOD PROCESSING PLANTS, THE BULK OF EMPLOYEES IN BORDER INDUSTRIES ARE YOUNG WOMEN WHO ARE NOT GENERALLY THOSE WHO MIGRATE. NOT ENOUGH IS KNOWN ABOUT THE REASONS FOR MIGRATION TO ANSWER THIS QUESTION ACCURATELY; PERHAPS

SATISFYING BASIC NEEDS WOULD BE INSUFFICIENT FOR THOSE IN  
SEARCH OF URBAN ADVANTAGES.

(D) BEST LOCATION OF PLANTS: THIS, TOO, IS A DEBATABLE  
ISSUE. THE GOM SAYS IT INTENDS TO LOCATE FUTURE "BORDER  
INDUSTRY" PLANTS IN THE INTERIOR TO AVOID DRAWING JOB  
SEEKERS TO THE FRONTIER, BUT OUR INQUIRIES REVEAL THAT  
THE FRONTIER "BORDER INDUSTRIES" HIRE MAINLY PERSONS LONG  
ESTABLISHED IN THE LOCAL BORDER COMMUNITIES. WE BELIEVE  
THAT PROJECTS PROBABLY SHOULD BE LOCATED IN MEDIUM-SIZED  
CITIES IN THE MEXICAN STATES THAT ARE THE GREATEST  
SOURCE OF MIGRANTS. THESE ARE GROUPED IN THE NORTH CENTRAL  
REGION AND INCLUDE HIDALGO, MICHOACAN, JALISCO, SAN LUIS  
POTOSI, ETC. MOST OF THE INHABITANTS OF THE MOUNTAINOUS  
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REGIONS SOUTH OF MEXICO CITY ARE TOO POOR, UNEDUCATED AND

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ACTION ARA-14

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03

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P 062326Z SEP 77

FM AMEMBASSY MEXICO

TO SECSTATE WASHDC PRIORITY 4791

INFO TREASURY WASHDC

ZEN ALL USCONS MEXICO POUCH

C O N F I D E N T I A L SECTION 02 OF 03 MEXICO 14900

EO 11652: GDS

TAGS: PGOV, MX, US

SUBJECT: TESTIMONY ON UNDOCUMENTED ALIENS

ILLITERATE TO MIGRATE. MANY DO NOT SPEAK SPANISH. THESE PEOPLE TOO MAY BECOME MIGRANTS IF ECONOMIC DEVELOPMENT GOES ONLY PARTLY AHEAD IN THEIR REGIONS. THE PIDER PROJECTS MIGHT BE LOOKED AT IN THIS REGARD.

(E) INVESTMENT REQUIRED TO MAKE AN EFFECTIVE CONTRIBUTION: THIS IS ANYONE'S GUESS, AND DEPENDS ON THE NUMBER OF MIGRANTS CONCERNED AND WHAT IS CONSIDERED TO BE AN EFFECTIVE CONTRIBUTION. IF JOBS WERE TO BE SOUGHT FOR 1 MILLION MIGRANTS AND JOB CREATION INVESTMENT RAN TO 20,000 DOLLARS A PERSON, WE ARE TALKING ABOUT 20 BILLION DOLLARS. USING A LOW INVESTMENT FIGURE OF 5 THOUSAND PER JOB, THE TOTAL IS STILL SUBSTANTIAL. OF COURSE, NEW INVESTMENT SHOULD HAVE A MULTIPLIER IMPACT OVER TIME.  
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(F) HOW MUCH NEW INVESTMENT COULD THE ECONOMY ABSORB?: THIS DEPENDS ON A VARIETY OF FACTORS SUCH AS THE TIMING, THE SOURCE OF CAPITAL GOODS USED, LABOR-INTENSIVE VERSUS CAPITAL-INTENSIVE, COUNTERMEASURES TAKEN, OTHER INVESTMENT IN THE COUNTRY, ETC. A ROUGH IDEA OF THE POSSIBLE SCOPE MAY BE HAD FROM TAKING INTO ACCOUNT THE FACT THAT THE 1976 DOLLAR EQUIVALENT OF GDP WAS \$76.6 BILLION, ALL INVESTMENT \$15.9 BILLION, AND GENERAL GOVERNMENT EXPENDITURES \$16.6 BILLION.

(G) EFFECTIVENESS OF IFI RURAL DEVELOPMENT PROJECTS: WE UNDERSTAND THAT THESE PROJECTS HAVE BEEN INTENDED PRIMARILY TO ASSIST PRODUCTION AND ECONOMIC DEVELOPMENT GENERALLY AND THUS HAVE BEEN DIRECTED TOWARD INFRASTRUCTURE. WE DO NOT HAVE THE MEANS TO EVALUATE THEIR COST EFFECTIVENESS BUT HAVE NO REASON TO BELIEVE THAT THEY HAVE NOT ACCOMPLISHED THE GOALS SET FOR THEM. WHILE THEY OBVIOUSLY HAVE NOT SOLVED THE EXCESS LABOR AND MIGRATION PROBLEM, THE SITUATION WOULD HAVE PROBABLY BEEN WORSE IN THEIR ABSENCE. POPULATION IN THE AREAS OF THE IFI PROJECTS MAY HAVE BEEN STABILIZED WITH THOSE REMAINING ENJOYING MORE PRODUCTIVE LIVES AND A HIGHER STANDARD OF LIVING, BUT WE HAVE NO FACTS ON WHICH TO BASE A JUDGMENT.

(H) IS RURAL DEVELOPMENT THE MOST USEFUL MEANS?: SEE "A" ABOVE.

(I) EXPORT OR INTERNALLY ORIENTED PROJECTS: WE DO NOT BELIEVE THE TYPE OF PROJECT WOULD MAKE MUCH DIFFERENCE IN TERMS OF THE IMPACT ON MIGRATION, BUT DO BELIEVE IT IMPORTANT THAT PROJECTS BE GEARED EITHER TOWARD EXPORT,

OR TOWARD PRODUCTION OF GOODS THAT CAN BE PRODUCED MORE  
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CHEAPLY THAN FOREIGN-MADE GOODS SUBJECT TO A LOW TARIFF.  
THAT IS, THE IFI'S SHOULD NOT FINANCE PROJECTS THAT PRO-  
DUCE GOODS DEARER THAN IN THE U.S. STABILITY OF MARKETS  
WOULD BE VERY IMPORTANT.

(J) CORRUPTION FACTOR: WE HAVE NO INFORMATION ON THIS  
FACTOR, BUT DOUBT IF IT HAS BEEN A MAJOR FACTOR IN IFI  
PROJECTS. SOME OF THE COSTS MIGHT BE HIGHER THAN WOULD  
OTHERWISE BE THE CASE. WE HAVE NOTED ATTENTION IN THE  
PRESS FROM TIME TO TIME TO THE PROBLEMS POSED BY CORRUP-  
TION IN ORGANIZING EJIDOS INTO LARGE COOPERATIVE PRODUCING  
UNITS. EVIDENTLY CAPABLE, HONEST ADMINISTRATORS ARE IN  
SHORT SUPPLY.

(K) GOM FINANCIAL COMMITMENT TO RURAL SECTOR: MEXICANS  
VIEW THE RURAL SECTOR AS EXTREMELY IMPORTANT AND THE  
PRESIDENT HAS SAID THIS IS TO BE A PRIORITY AREA. AT THE  
SAME TIME THE MEXICANS ARE EMPHASIZING JOB CREATION AND  
INCREASED PRODUCTION, WHICH SHOULD HELP STEM MIGRATION.  
IF THE USG OR THE U.S. PRIVATE SECTOR WERE TO PROVIDE  
INVESTMENT ASSISTANCE, MANAGEMENT AND, ABOVE ALL, ASSURED  
MARKETS, WE BELIEVE THAT BOTH THE GOM AND THE MEXICAN  
PRIVATE SECTOR WOULD RESPOND SUBSTANTIALLY. PROVIDING  
ASSURED MARKETS IN THE U.S. WOULD REQUIRE MAJOR POLICY  
DECISIONS BY THE USG INVOLVING FOR EXAMPLE STRONG EXECU-  
TIVE BRANCH OPPOSITION TO ATTACKS ON SECTIONS 806 AND 807  
OF THE U.S. TARIFF ACT, BETTER AND ASSURED ACCESS FOR  
TEXTILES, AND EXCEPTION FROM COMPETITIVE LIMITATIONS TO  
MEXICAN PRODUCTS PROFITING FROM GSP. NO DOUBT OTHER  
MEASURES COULD BE FOUND.

(L) AVAILABILITY OF LOCAL CREDIT: MEXICO 13393 LISTED  
SOME FACTORS AFFECTING PRIVATE SECTOR INVESTMENT. IT  
SHOULD BE NOTED THAT THE LACK OF ANY SIGNIFICANT INCREASE  
IN DOMESTIC AGGREGATE DEMAND HAS ALSO AFFECTED THE LEVEL  
OF INDUSTRIAL OUTPUT. HOWEVER, INDUSTRIAL ACTIVITY SEEMS  
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TO BE RISING, ALBEIT SLIGHTLY. THE RESPONSE TO THE BANK  
OF MEXICO'S SWAP LOAN FACILITY WOULD INDICATE THERE ARE  
PROJECTS WHOSE IMPLEMENTATION IS BEING DELAYED BY THE

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ACTION ARA-14

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03  
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P 062326Z SEP 77

FM AMEMBASSY MEXICO  
TO SECSTATE WASHDC PRIORITY 4792  
INFO TREASURY WASHDC  
ZEN ALL USCONS MEXICO POUCH

C O N F I D E N T I A L SECTION 03 OF 03 MEXICO 14900

EO 11652: GDS  
TAGS: PGOV, MX, US  
SUBJECT: TESTIMONY ON UNDOCUMENTED ALIENS

EXCHANGE RISK INVOLVED IN BORROWING DOLLARS.

(M) FAMILY PLANNING: DESPITE CLAIMS BY SOME MEXICAN OFFICIALS THAT THE POPULATION GROWTH RATE HAS DECLINED FROM 3.6 TO 3.2 AS A RESULT OF GOM FAMILY PLANNING/POPULATION PROGRAMS, NO CREDENCE IS GIVEN TO VALIDITY OF STUDIES NATIONAL FAMILY PLANNING PLAN (WITH A 5 YEAR COST OF \$250 MILLION). (SEE MEXICO 14722 AND 14726.) WHILE FAMILY PLANNING SERVICES TRADITIONALLY OFFERED THROUGH THE HEALTH SECTOR CLINIC SYSTEM CONTINUE, THE NEW MEXICZK INITIATIVE FOR COUNTRY COVERAGE IS JUST NOW BEGINNING. THE PLAN OXPROPOSES TO REDUCE POPULATION GROWTH RATE OF MEXICO TO 2.5 BY 1982. OBSERVERS AND EXPERTS IN THE FIELD BELIEVE THE CURRENT MEXICAN PLAN TO BE MOST COMPREHENSIVE AND  
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EXCITING EVER SEEN IN LATIN AMERICA. THIS EMBASSY BELIEVES

PLAN WILL BE HIGHLY EFFECTIVE AND WILL RESULT IN A DECLINE IN GROWTH RATE. TO ENSURE MOVEMENT IN THIS CRITICAL AREA, U.S. ASSISTANCE IS ESSENTIAL, GIVEN PRESENT FINANCIAL RESTRAINTS ON GOM, IF PROGRAM IS TO BEGIN IMMEDIATELY WITH ALL ITS NECESSARY COMPONENTS. WE THEREFORE BELIEVE SUBSTANTIAL U.S. ASSISTANCE THROUGH AID-FUNDED INTERMEDIARIES IS NEEDED URGENTLY AND WILL HAVE DEFINITE POSITIVE IMPACT OVER THE LONGER TERM.

(N) EMBASSY VIEWS OF WAYNE CORNELIUS' PRESENTATION: CONCERNING CORNELIUS' AUGUST 10 PRESENTATION, WE AGREE WITH A GREAT DEAL OF WHAT HE HAS WRITTEN ON THIS TOPIC. IN THIS INSTANCE, HOWEVER, WE ARE INCLINED TO QUESTION THE COST EFFECTIVENESS OF PAST IFI PROJECTS AS A MEANS OF CREATING EMPLOYMENT. WE DON'T KNOW WHAT HE MEANS BY SMALL-SCALE INDUSTRIES, BUT THIS SOUNDS MORE PROMISING. WE DO NOTE THAT PIDER II PROJECT COST IS ESTIMATED AT \$255 MILLION AND THAT IT IS EXPECTED TO CREATE 30,000 PERMANENT JOBS. THIS WOULD IMPLY AN INVESTMENT OF \$8,500 PER JOB. THOMPSON

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## Message Attributes

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